

**Public Employees' Retirement Board
Employee Investment Advisory Council**

100 North Park Avenue, Room 201

Helena MT 59601

MINUTES

Thursday, April 17, 2014

1:00 pm – 4:30 pm

Call to Order:

Ms. Patricia Davis called the meeting to order at 1:00 p.m.

EIAC/Board Roll Call

Council Members in Attendance:

Patricia Davis, Tom Schneider, Paul Spengler, James Helgeson, Amy Berry, Ed Dawes, Jim Penner, Diane Fladmo, Randy Morris

MPERB Members in Attendance: Sheena Wilson, Bob Bugni

Members of the Public:

Perry Christie and Linda Ullrich- Great West

Michael Schlachter – Wilshire Associates

Melanie Symons, Roxanne Minnehan, Jenny Weigand, Barb Quinn- MPERA

Approval of EIAC Meeting Minutes – January 16, 2014

Motion: Tom Schneider made motion to approve the July 17, 2013 minutes.

Second: Amy Berry

No public comment

Vote: Passed (9/0)

I. Fund Performance Review – Michael Schlachter, CFA, Wilshire Associates

A. Numbers in Context

Michael Schlachter opened the economic presentation with asset class valuation metrics showing U.S stocks at an average. Asset values and consumption is up. Revolving credit has gone positive again. Savings rates have begun to go down. Debt levels are up. Recovery in wealth has had positive impact on retirement rates.

B. 457(b)

Mr. Schlachter doesn't recommend changes to managers. Munder has come out of probation. Acceptance has been positive on target date funds. He is keeping an eye on Neuberger high income fund, the problem is performance relative to benchmark which may cause it to "lag". The Vanguard Equity-Income fund is performing strong. Mutual Global Discovery is a little concerning in the five year mark ranking 94th.

C. 401(a)

Munder Mid Cap and Vanguard Total Bond are currently on probation. No big changes for now. Replacement Search; Mr. Schlachter went over the criteria for filtering the intermediate Core/Core fixed income mutual fund universe (pg. 2). Manager notes include Prudential, Loomis Sayles, DoubleLine, TCW MetWest, PIMCO (in our 401a) and Vanguard. Mr. Schlachter recommends Prudential replaces Vanguard.

D. Vanguard Total Bond Index Fund Replacement

Mr. Schlachter presented five potential fixed income funds as options to replace the Vanguard Total Bond Index Fund. Based on Wilshire's selection criteria and review criteria, he recommended Prudential Total Return Bond Fund as the replacement.

Motion: Ms. Fladmo moved to have Prudential replace Vanguard Fixed income fund.

Second: Mr. Spengler seconded

Comments: Mr. Schneider asked Ms. Fladmo to explain her motion and she it was based on Mr. Schlachter's recommendation. Mr. Penner and Mr. Schneider wondered why not Loomis since it rates higher, Mr. Schlachter gave an explanation that all the funds were good, but in looking at other areas, such as how the portfolio is being run, consistency, and being only a fixed income option, Prudential is a safe harbor when things go rough.

Vote: Passed (8/1)

E. Socially Responsible Investing-Options to Consider

Mr. Schlachter gave education on what socially responsible funds can encompass and some comparisons between Calvert and some other domestic equity funds.

Motion: Mr. Spengler made the motion to have Mr. Schlachter do a search and replacement for Calvert fund.

Second: Ms. Fladmo

Comments: Mr. Bugni questioned about having it in both plans. Ms. Davis said we can visit that after the research comes back.

Vote: Passed (5/4)

E. Policy Statement Review - 457(b)

Ms. Davis stated that the Investment policy statements must be reviewed annually. Last year we

made several changes to the policies but that Wilshire had no recommended changes for this year.

Motion: Ms. Davis moved to present to the board.

Second: Mr. Spengler seconded

No public comment

Vote: Passed (9/0)

F. Policy Statement Review (401A)

Mr. Muffick stated if we were going to add a socially responsible fund we would need to add it to the investment alternative in the investment policy statement.

Motion: Mr. Spengler moved to add it

Second: Mr. Dawes

Comments: Language should say "may add socially responsible funds "

Vote: Passed (9/0)

II. Great West- Perry Christie spoke to the committee about a new feature called "advisory services". Updates on new features for website were presented. Ms. Davis asked the committee to decide if a recommendation be made to the Board to add advisory services to both plans. There is no cost to plan. Participants would be responsible for the cost of the Managed Account Services if they chose to participant.

Motion: Mr. Spengler moved to adopt the plan and to recommend to the board

Second: Mr. Hegelson

Comments: Ms. Fladmo had questions about fee changes to members and tier rates.

Vote: Passed (9/0)

III. Fund Balance

A. 457: Barb Quinn presented assumptions. Ms. Davis said that the 457 is in good shape, enough to cover expenses. She didn't recommend changes on fees.

Motion: Mr. Spengler recommends no changes on fees

Second: Mr. Schneider

No Public comment

Vote: Passed (9/0)

B. 401 (A): Ms. Davis noted we have low participation in plan. If you look at fund balance end of 2014 we are actually not covering expenses. It is her recommendation we make some changes on the fees.

Motion: Mr. Schneider moves to have a flat rate between fixed and balanced for next five years to cover expenses.

Second: Mr. Dawes

No Public Comment

Vote: Passes (9/0)

IV. Plan Document Updates- Melanie Symons updated us on a complaint filed at legislative audit division that we allowed a terminated 457 participant to roll other money into that plan. After we had tax counsel review and determine we aren't in violation, we may want to amend plan document for more clarity on member definition.

V. Stable Value- Mr. Penner did research for alternatives. He couldn't find anything comparable. He advises we continue with it.

VI. Record Keeper RFP —Ms. Davis and Ms. Symons got contract language back from Great West, hoped to get to May board meeting, but looking at June for board approval.

4:00 p.m. PROJECTED ADJOURNMENT

Tom Schneider moved for adjournment of the meeting and it was seconded at 4:40.

Next meeting: July 17, 2014